

# Memorandum

**To:** L. Massaro  
Commission Clerk

**From:** D. R. Stearns  
Rate Analyst, Division of Public Utilities & Carriers

**Date:** August 4, 2005

**Re:** Pascoag Utility District Tariff Advice: Docket 3685

On July 7, 2005 Pascoag Utility District ("Pascoag", or "Company") filed with the Public Utilities Commission ("PUC", or "Commission") a tariff advice requesting modification of tariff number RIPUC 404, Pascoag's rate designation C ("Rate C"). The request, if approved, would allow Pascoag to change the method of billing large commercial and industrial class customers (those whose monthly demand registers 15 kW or higher) for the demand portion of their bills.

Currently, in accordance with tariff 404, the monthly demand charge for each Rate C customer is based on the highest meter-registered peak demand at or above 15kW in each month. If the tariff advice is approved, the demand charge will be calculated using a rolling twelve-month ratcheted demand. That is to say, each month the Company will determine each Rate C customer's highest kW demand metered during the previous twelve months. The demand charge will be based on the highest peak kW demand registered within any fifteen-minute period during those twelve months, when that demand is at or above 15 kW.

According to the response to Division information request DIV 1 (attached) in this docket, the monthly demand charge billed Pascoag by Narragansett Electric Company is calculated using a rolling twelve month ratcheted demand.

Based on a sample of seven (about 25% of) Rate C customers, Pascoag estimates that if the demand ratchet had been in effect during the twelve-month period July 2004 through June 2005, the Company would have realized additional Rate C demand revenue of about \$36,000 (see information request DIV 2, attached).

Calculating the demand charges of Rate C customers in the same manner Pascoag incurs demand charges will result in a more equitable alignment of demand costs and the Company's recovery of those costs.

The Division recommends approval of Pascoag's requested tariff change.

Cc: Thomas Ahern,  
Administrator, Division of Public Utilities and Carriers

RIPUC Docket No. 3685  
Data Request of the Division of Public Utilities and Carriers  
Set 1  
DIV 1

DIV 1: Please provide the rationale regarding the proposed amendment to Pascoag's large commercial/industrial tariff.

Answer: Provided by Judith R. Allaire

Pascoag Utility District's transmission bill from Narragansett Electric Company is based on a 12-month ratchet clause. Since Pascoag pays, based on its peak demand for the 12-month period, and since that demand is driven mainly by its large commercial customer and industrial customers, the District deemed it appropriate to bill its customers on the same basis.

A copy of the transmission bill from Narragansett Electric Company is attached to this Data Response.

DIV 2. Will the proposed tariff result in an increase/decrease in the revenue collected by Pascoag? If so, please quantify the anticipated increase/decrease.

Answer: Provided by Judith R. Allaire

The District does not feel that the revenue change will be substantive. Since the District currently has only about twenty-seven customers that are billed a demand charge, and most of these customers exhibit fairly stable demand.

With the exception of one or two customers (i.e. the ice rink), there should be minimal impact to customers.

Addenda: To provide support for the answer above, Pascoag took a sample of approximately 25% of the current Industrial customers to calculate the impact of the tariff change on them.

Seven customers were chosen for the sample. The sample period was the preceding twelve-month period, and demands were calculated under two scenarios:

- 1) actual demand times \$6.53 to determine the demand under the current tariff; and
- 2) demand based on highest peak reached for the following eleven-month period at the current rate of \$6.53/kw.

A cross section of customers were chosen for the survey including, the ice rink, nursing home, meat processing plant, school, grocery market, etc. These seven customers range from low-demand customers to high-demand customers, and include customers with seasonal usage.

Based on this sampling, the additional revenue generated by these seven customers would be \$9,096 per month. Assuming that these are fairly typical customers, and since the sample contained approximately 25% of the customer class, Pascoag estimates an increase in annual revenue of \$36,000 per year, or \$3,000 per month.

The work sheet detailing the customer demand usage is attached as Schedule 2-A.

[illegible]